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Agenda item 143
Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Updated financial position of closed peacekeeping missions as at 30 June 2010

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the updated financial position of closed peacekeeping missions as at 30 June 2010 (A/65/556). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. In paragraphs 1 to 7 of his report, the Secretary-General provides an update on the cash position of the 23 closed peacekeeping missions at the end of the 2009/10 financial period, as at 30 June 2010, as follows:

(a) Eighteen of the 23 closed missions had cash surpluses available for credit to Member States totalling $230.7 million;

(b) Five closed missions had cash deficits totalling $86.7 million, owing to outstanding payments of assessed contributions;

(c) Outstanding loans amounted to $22.8 million, comprising $10.8 million owed by two closed missions with cash deficits ($7.4 million by the United Nations Support Mission in Haiti/United Nations Transition Mission in Haiti/United Nations Civilian Police Mission in Haiti and $3.5 million by the United Nations Mission in the Central African Republic) and $12 million owed by one active mission (the United Nations Mission for the Referendum in Western Sahara (MINURSO)).

3. Information on the cash requirements of the Organization is provided in paragraphs 11 to 14 of the Secretary-General's report. The Secretary-General indicates that liquidity in peacekeeping operations has improved in recent years, resulting in a decline in the level of borrowing required by active peacekeeping

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operations from the accounts of closed missions with surpluses. As indicated, the cumulative level of cross-borrowings required fell from $164.0 million in the 2008/09 financial period for eight active operations to $30 million in 2009/10 for three active peacekeeping operations (MINURSO, the United Nations Integrated Mission in Timor-Leste and the United Nations Observer Mission in Georgia). The Advisory Committee notes that at the time of the issuance of the Secretary-General's report (14 December 2010), cross-borrowing from the accounts of closed peacekeeping operations for the 2010/11 financial period had been required for two active missions (MINURSO and the United Nations Peacekeeping Force in Cyprus (UNFICYP)) for a total of $10.4 million.

4. Given the reduction in cross-borrowing during the 2009/10 financial period, and in view of the significant cash balances that have accumulated in closed missions, the Secretary-General is requesting the General Assembly to approve the retention of $50 million of the cash balances of closed peacekeeping missions available for credit to Member States as at 30 June 2010. He also signals his intention to return the balance of $180,745,000 to Member States, subject to a decision by the Assembly in the context of its consideration of his report. The Secretary-General cautions, however, that the improved trend in liquidity could be reversed in the future, given the inherent unpredictability of receipts, as well as the time lag, ranging from 60 to 120 days, between the issuance of notifications to Member States and the receipt of assessed contributions. In this connection, the Secretary-General invites the General Assembly to consider expanding the terms of the Peacekeeping Reserve Fund to cover the operational requirements of ongoing missions and increasing the level of the Fund. According to the Secretary-General, such action would eliminate the need to borrow from the accounts of closed peacekeeping missions in the future.

5. Upon enquiry, the Advisory Committee was provided with additional information on the annual cumulative amount loaned from closed missions to active peacekeeping operations over the past six years, which is contained in annex I to the present report. The Committee notes from the information provided that the cumulative amount loaned per year varied widely over the six-year period, ranging from a total amount of $30 million during 2009/10 to $164 million during 2008/09, reflecting an average of approximately $75 million per year. The Committee notes that the cumulative amount loaned during the current financial period had risen to $51 million as at 7 February 2011, as compared with the total amount of $10.4 million reflected in the Secretary-General's report (see para. 3 above).

6. As at 7 February 2011, the Committee had been provided with an updated chart, as well a table containing the underlying data, showing the monthly levels of borrowings and settlements and peak levels of cross-borrowings over the past three years (see annexes II and III). The data show that the maximum amount required for cross-borrowings at any given time over the past three years exceeded $50 million three times (in July, September and October 2008) and peaked at $72.5 million in September 2008. The peak level of cross-borrowings remained below $25 million for an extended period from April 2009 to January 2011, dropping to $4 million at the end of 2010. In February 2011, the level of cross-borrowings rose to $44.5 million, comprising loans to MINURSO ($3.5 million), UNFICYP ($4 million) and the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo ($37 million).

II. Comments and observations

Peacekeeping Reserve Fund

7. With regard to the Secretary-General's proposals for expanding the terms and increasing the level of the Peacekeeping Reserve Fund, the Advisory Committee notes that, at present, the utilization of the Fund is limited to the start-up phase of new missions and the expansion of existing missions, as decided by the General Assembly in its resolution 49/233. The Committee recalls that, in the context of his report on the global field support strategy (A/64/633) the Secretary-General made proposals regarding the level and management of the Peacekeeping Reserve Fund for the start-up phase of new missions or the expansion of existing missions. Those proposals were considered by the General Assembly at its sixty-fourth session and, pursuant to the requests contained in resolution 64/269, the Secretary-General has submitted a progress report on the implementation of the global field support strategy (A/65/643), as well as a report containing proposals for a standardized funding model, including expanded commitment authority for the Peacekeeping Reserve Fund (A/65/696). Those reports are before the General Assembly for consideration at the second part of its sixty-fifth resumed session. **The Committee has consistently cautioned against the presentation of multiple reports on the same subject and against a piecemeal approach such as that taken by the Secretary-General in his report on closed peacekeeping operations. It is also concerned b the apparent lack of coordination on this matter within the Secretariat. Furthermore, in the Committee's view, the rationale for making such proposals in the context of the Secretary-General's report on closed peacekeeping missions is not clear, particularly within such a short period of time after the presentation of related issues for consideration by the Assembly.**

8. The Advisory Committee requested additional information on the impact of the proposed expanded terms of the Peacekeeping Reserve Fund on the capacity of the Department of Field Support to meet the needs of new and expanding missions. It was informed that any expansion of the terms of the Peacekeeping Reserve Fund would necessarily have to be accompanied by an increase in the level of the Fund, in order to meet the needs of both new and expanded missions, as well as cover cash shortfalls in continuing missions. **Based on the information provided, the Committee is concerned that the suggested approach could have an impact on the Organization's capacity to effectively launch new missions and meet the needs of expanding missions.**

Disposition of cash balances

9. As indicated in paragraph 4 above, the Secretary-General is requesting approval for the retention of $50 million of the $230.7 million available in the special accounts of closed peacekeeping missions to cover the cash requirements of the Organization, and to return the balance of $180.7 million to Member States, subject to a decision by the Assembly. **The Advisory Committee believes that such surpluses should be refunded to the Member States that have duly paid their assessed contributions. It also believes that obligations to Governments providing troops, formed police units, logistical support and other resources should be settled in a timely manner. In this regard, the Committee points out that delays in the payment of assessed contributions result in reimbursement to those Governments being held off. The Committee recognizes that the**

Organization must balance these competing requirements. In this connection, the Committee recalls that the General Assembly has consistently stressed that all Member States should fulfil their financial obligations as set out in the Charter of the United Nations on time, in full and without conditions.[1]

10. As regards the proposal that the amount of $50 million be retained to cover the cash requirements of the Organization, the Committee notes that the level of cross-borrowings has increased from $4 million at the end of 2010 to $44.5 million in February 2011. It also notes that the maximum amount required for cross-borrowings exceeded $50 million three times in 2008, peaking at $72.5 million (see annex II). **In view of the foregoing, the Committee considers that an amount of $75 million should be retained to cover the cash requirements of the Organization, rather than the $50 million proposed by the Secretary-General. The balance available to be returned to Member States would be reduced commensurately.**

Application of available credits against outstanding contributions

11. In paragraph 16 of his report, the Secretary-General invites the General Assembly to consider encouraging Member States to instruct him to apply available credits against outstanding contributions. He further invites the Assembly to consider establishing a time period for the transmission of instructions to the Secretary-General for the disposition of those credits, after which he would be authorized to apply them, bearing in mind the situation of closed missions with cash deficits. **The Advisory Committee is supportive of the Secretary-General's approach regarding the application of available credits against outstanding contributions.**

United Nations Iraq-Kuwait Observation Mission

12. In paragraphs 8 to 10 of his report, the Secretary-General provides an update on the cash position of the United Nations Iraq-Kuwait Observation Mission (UNIKOM). He indicates that the adjusted net available cash balance for the account of UNIKOM as at 30 June 2010 was $105,900, and that, in accordance with General Assembly decision 64/558 on closed peacekeeping missions, two thirds of that amount, totalling $70,600, is returnable to the Government of Kuwait. The Secretary-General states his intention to return this amount to the Government of Kuwait, subject to a decision of the Assembly. **The Advisory Committee concurs with the course of action proposed by the Secretary-General.**

Other issues

13. In paragraph 9 above, the Advisory Committee highlighted the need to achieve a balance between the interests of Member States that have fulfilled their financial obligations on time and to which surplus payments may be owed, and those of Governments providing troops, formed police units, logistical support and other resources, which should be reimbursed in a timely manner for the services they render to the Organization. The Committee is of the opinion that the General Assembly could benefit from an in-depth study on the most appropriate mechanisms for achieving such a balance and ensuring sound financial management of cash

[1] See resolutions 64/243, 62/236, 56/253 and 54/249.

inflows and outflows. Such a study should also address the factual and regulatory background to the approach adopted by the Secretary-General. **The Committee considers that this issue could best be addressed by the Board of Auditors.**

III. Recommendations

14. **The conclusions, recommendations and actions to be taken by the General Assembly are set out in paragraphs 15 to 18 of the Secretary-General's report. In view of the considerations set out above, the Advisory Committee recommends that the General Assembly:**

(a) **Authorize the Secretary-General to retain an amount of $75 million and to return $155,745,000 of the cash balances of closed peacekeeping missions available for credit to Member States as at 30 June 2010;**

(b) **Proceed as outlined in paragraph 16 of the Secretary-General's report with respect to the application of available credits against outstanding contributions;**

(c) **Authorize the Secretary-General to return to the Government of Kuwait the amount of $70,600, reflecting two thirds of the adjusted net credits available in the account of UNIKOM.**

15. **Taking into account its observations in paragraphs 7 and 8 above, the Advisory Committee recommends against the expansion of the terms and the level of the Peacekeeping Reserve Fund to cover the operational requirements of ongoing missions, as proposed in paragraph 17 of the Secretary-General's report.**

16. **The Advisory Committee further recommends that the General Assembly consider requesting the Board of Auditors to conduct the in-depth study referred to in paragraph 13 above.**

Annex I

Cumulative total amounts loaned in each fiscal year from closed peacekeeping missions to active peacekeeping missions during the past six financial periods

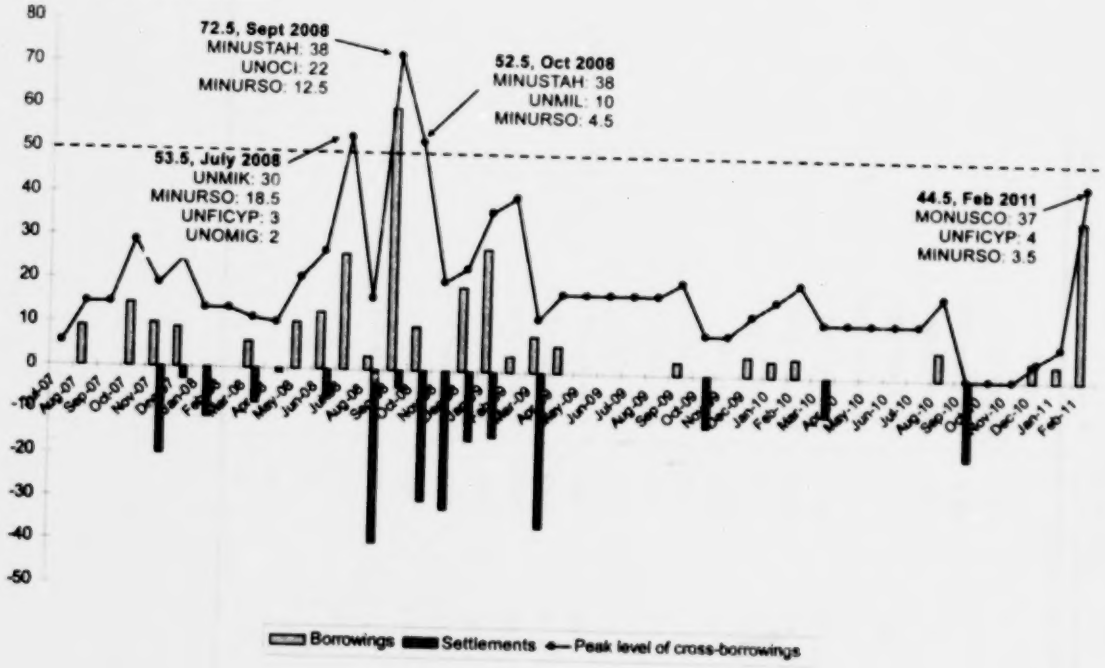
(Millions of United States dollars)

Fiscal year	*Cumulative amount loaned from closed peacekeeping missions*
2005/06	45
2006/07	86
2007/08	72
2008/09	164
2009/10	30
2010/11 (up to 7 February 2011)	51
Average	**74.7**

Annex II

Borrowings by active missions from closed peacekeeping missions, July 2007 to 4 February 2011

(Millions of United States dollars)



Annex III

Borrowings, settlements and peak levels of cross-borrowings by active missions from closed peacekeeping missions for the period from July 2007 to 4 February 2011

(Millions of United States dollars)

Month year	*Borrowings*	*Settlements*	*Peak level of cross-borrowings*	*Month year*	*Borrowings*	*Settlements*	*Peak level of cross-borrowings*
July 2007	9		5.5	July 2009			18
August 2007			14.5	August 2009			18
September 2007			14.5	September 2009	3		21
October 2007	14.5		29	October 2009		-12	9
November 2007	10	-20	19	November 2009			9
December 2007	9	-3	25	December 2009	4.5		13.5
January 2008		-11.5	13.5	January 2010	3.5		17
February 2008			13.5	February 2010	4		21
March 2008	6	-8	11.5	March 2010		-9	12
April 2008		-1	10.5	April 2010			12
May 2008	10.5		21	May 2010			12
June 2008	13	-7	27	June 2010			12
July 2008	26.5		53.5	July 2010			12
August 2008	3	-40	16.5	August 2010	6.4	-18.4	18.4
September 2008	60	-4	72.5	September 2010			0
October 2008	10	-30	52.5	October 2010			0
November 2008		-32	20.5	November 2010			0
December 2008	19	-16	23.5	December 2010	4		4
January 2009	28	-15	36.5	January 2011	3.5		7.5
February 2009	3.5		40	February 2011	37		44.5
March 2009	8	-36	12				
April 2009	6		18				
May 2009			18				
June 2009			18				